
A BILL FOR AN ACT

RELATING TO QUALIFYING MEDICAL INFORMATION TECHNOLOGY.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The delivery of health care is becoming an
2 increasingly complex process. However, unlike other
3 information-based industries such as banking and finance, the
4 health care industry has been slow to adopt information
5 technology that would facilitate the rapid and accurate
6 transmission of vital clinical information.

7 One major reason for the delay in the adoption of medical
8 information technology is the decentralized nature of health
9 care delivery, relying as it does on scores of physicians
10 operating in solo or small group practices. While
11 decentralization in the delivery of health care has done much to
12 preserve the traditional physician/patient relationship, which
13 is the cornerstone of our care system, it has hampered the
14 implementation of medical information technology that would
15 yield great improvements in patient care and social benefits to
16 employers, insurers, public health agencies and programs, as
17 well as introduce efficiencies to the health care delivery
18 system as a whole.



1 Most of the benefits of medical information technology will
2 accrue to society as a whole in the form of increased efficiency
3 of delivery and lower administrative costs (and therefore lower
4 costs to insurers and lower premiums to employers and
5 employees). It will also reduce medical errors and provide a
6 higher quality of care to consumers. Nevertheless, medical
7 information technology is expensive, and the cost of
8 implementation falls primarily, almost exclusively, on
9 physicians, many of whom are small businessmen and
10 businesswomen, coping with educational debt, the rising cost of
11 medical malpractice coverage, and shrinking cost reimbursement.

12 To encourage physicians to invest in medical information
13 technology in their practices, the State should provide, in the
14 form of an income tax credit, a limited rebate of the general
15 excise tax on physician services to those physicians who are
16 willing to invest their time, effort, and money in this
17 technology. This modest self-limiting rebate will yield great
18 dividends to the people of Hawaii both immediately and over
19 time. It will facilitate the rapid and accurate transmission of
20 information vital to the health of Hawaii's citizens, facilitate
21 coordination of care, reduce the number of medical errors,
22 reduce administrative overhead, reduce the need for duplicative



1 testing, provide for accurate and timely billing and payments,
2 and create highly skilled and well paying jobs in medical
3 information technology in Hawaii.

4 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§235- Medical information technology tax credit. (a)

8 There shall be allowed a nonrefundable medical information tax
9 credit to each eligible taxpayer who is not claimed or is not
10 otherwise eligible to be claimed as a dependent by another
11 taxpayer for federal or Hawaii state individual income tax
12 purposes and who files an income tax return for the taxable year
13 that a tax credit is claimed under this section.

14 (b) The tax credit shall be equal to the amount of general
15 excise tax imposed on expenditures up to \$20,000 of qualifying
16 medical information technology costs that are passed on to an
17 eligible taxpayer; provided that any excess of that limit in any
18 taxable year may be carried over to subsequent tax years until
19 exhausted; and provided further that no refunds or payments on
20 account of the tax credit allowed by this section shall be made
21 for amounts less than \$1.



1 (c) An eligible taxpayer shall certify to the department
2 that the taxpayer is in compliance with all applicable federal,
3 state, and county statutes, rules, and regulations.

4 (d) Every claim, including amended claims, for the tax
5 credit under this section shall be filed on or before the end of
6 the twelfth month following the close of the taxable year for
7 which the tax credit may be claimed. Failure to meet the filing
8 requirements of this subsection shall constitute a waiver of the
9 right to claim the tax credit.

10 (e) As used in this section:

11 "Eligible taxpayer" means a person who:

12 (1) Is licensed to practice medicine under chapter 453 or
13 460;

14 (2) Has at least \$500 in qualifying medical information
15 technology costs in the taxable year in which the tax
16 credit is claimed; and

17 (3) Certifies to the department that the qualifying
18 medical information technology that is the object of
19 the tax credit under this section will be used in
20 conjunction with the taxpayer's practice of medicine
21 as that term is defined in section 453-1.



1 "Qualifying medical information technology costs" means
2 amounts paid for the purchase, lease, or licensing of computer
3 hardware, software, or Internet access used in connection with
4 the practice of medicine as defined in section 453-1, or the
5 practice of osteopathy as defined in section 460-1.3, including
6 training costs for physicians or staff, but shall not include
7 amounts paid to third-party claims processing or billing
8 services.

9 (f) The director of taxation:

10 (1) Shall prepare such forms as may be necessary to claim
11 a tax credit under this section;

12 (2) May require proof of the claim for the tax credit; and

13 (3) May adopt rules pursuant to chapter 91 to effectuate
14 the purposes of this section.

15 (g) The department shall report to the legislature
16 annually, no later than twenty days prior to the convening of
17 every regular session, on the number of taxpayers claiming the
18 tax credit and the total cost of the tax credit to the State
19 during the past year."

20 SECTION 3. New statutory material is underscored.



1 SECTION 4. This Act shall take effect on July 1, 2007, and
2 apply to qualifying medical information technology costs
3 incurred on or after January 1, 2008.



Report Title:

Income Tax Credit; General Excise Tax; Medical Information
Technology

Description:

Provides a tax credit for the general excise taxes paid for
purchases of qualifying medical information technology by
physicians. (HB232 HD1)

